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Sustainable development and international economic cooperation: implementation of the commitments and policies agreed upon in the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, and implementation of the International Development Strategy for the Fourth United Nations Development Decade

Update on the implementation of the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, and implementation of the International Development Strategy for the Fourth United Nations Development Decade

Report of the Secretary-General**

* A/55/150 and Corr.1 and 2.

** The present report was submitted after 30 June 2000 owing to the fact that it must be based on reliable up-to-date information and forecasts for 2000, which were not available before mid-July.

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I. Introduction

1. On 21 December 1990, the General Assembly proclaimed the Fourth United Nations Development Decade, starting on 1 January 1991 (resolution 45/199), and adopted the International Development Strategy for the Decade (as set forth in the annex to the same resolution). The principles stated in the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries adopted by the General Assembly earlier that year, on 1 May 1990 (resolution S-18/3, annex), were recognized as the basis for this Strategy. According to the Strategy (para. 10), the Declaration "contains a pledge that Member States will endeavour to take all necessary steps to reverse the adverse trends of the 1980s, address the challenges of the 1990s and move into a more productive decade, recognizing that such actions should take into account the responsibility of each country for its own development and should be in accordance with its capacity and its impact on the international economy".

2. Reports of the Secretary-General on the progress achieved in implementing the Declaration and the Strategy were submitted to the General Assembly in 1992, 1994, 1996, 1998 and 1999 (A/47/397, A/47/270-E/1992/74, A/49/328, A/51/270, A/53/301 and A/54/389).

3. In its resolution 54/206 of 22 December 1999, the General Assembly requested the Secretary-General to submit to the Assembly for consideration at its fifty-fifth session, an update of the report of the Secretary-General (A/54/389) submitted to the Assembly at its fifty-fourth session. The present report has been prepared in response to that request.

II. Progress towards the goals and objectives of the Declaration and the Strategy

4. The principal aim of the Strategy and the Declaration is to ensure accelerated development in the developing countries, including a significant improvement in the human condition in these countries, and strengthened international cooperation. While the Strategy recognizes the principal responsibility of each country in economic policy-making for development, it seeks to provide an international environment that supports the evolution everywhere of systems of justice, and political systems based on consent and respect for economic, social and other human rights. The Strategy states that six interrelated goals must be met to achieve these fundamental aims:

(a) A surge in the pace of economic growth in the developing countries;

(b) A development process that is responsive to social needs, seeks a significant reduction in extreme poverty, promotes the development and utilization of human resources and skills and is environmentally sound and sustainable;

(c) An improvement of the international systems of money, finance and trade so as to support the development process;

(d) A setting of strength and stability in the world economy and sound macroeconomic management, nationally and internationally;

(e) A decisive strengthening of international development cooperation;

(f) A special effort to deal with the problems of the least developed countries, the weakest among the developing countries.

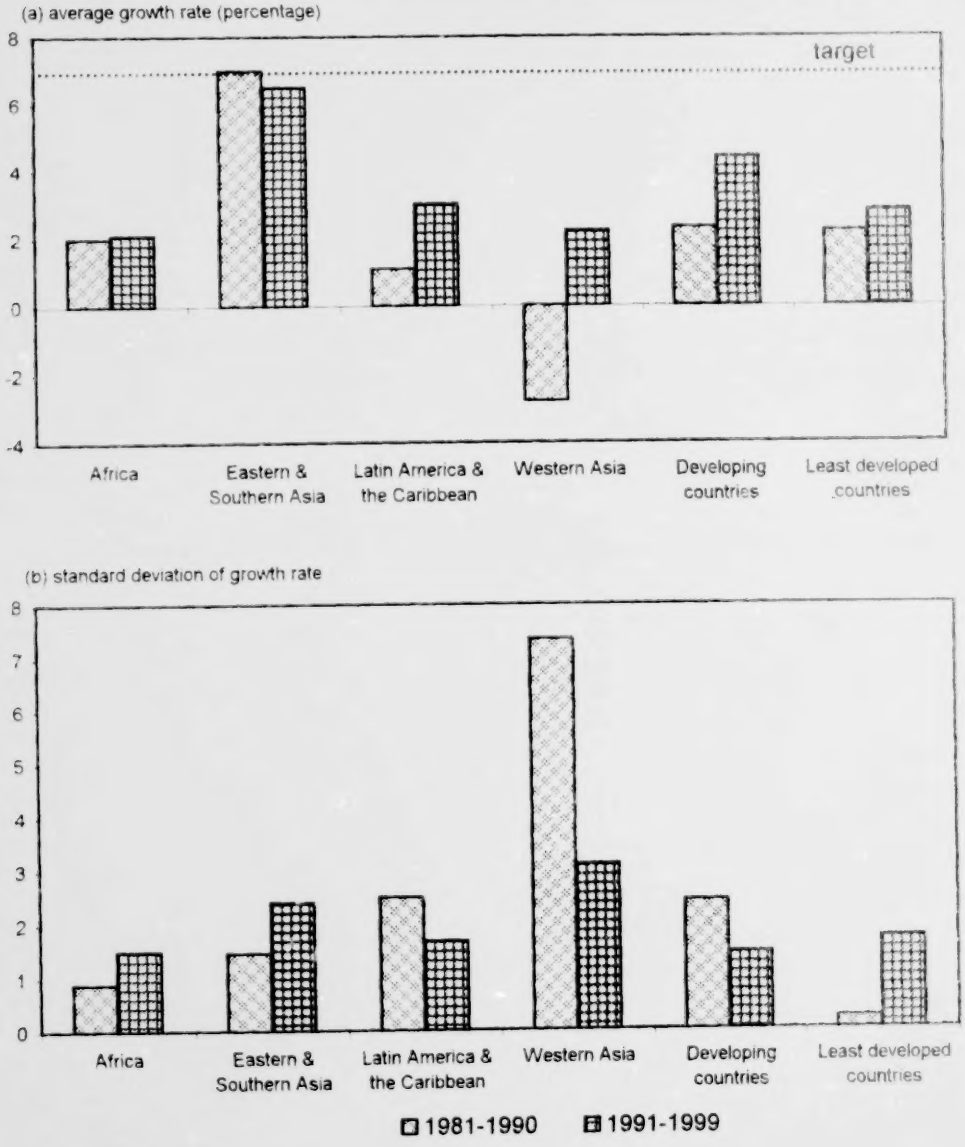
5. This report provides an update of the implementation of the Strategy vis-à-vis these six goals, wherever new information became available to the Secretariat after the 1999 report on the same subject had been submitted to the General Assembly.

A. Economic growth in developing countries

6. One of the principal goals for the 1990s, according to the Declaration, is to revitalize economic growth in developing countries and to stabilize short-term fluctuation of economic activities. In keeping with this goal, growth of the developing countries as a whole accelerated in the 1990s from the 1980s (figure I (a)), despite the Asian financial crisis that erupted in 1997 and its ripple effects on the global economy in subsequent years. Overall, 60 out of 95 developing countries (accounting for 55 per cent of the population of the developing world) recorded higher growth rates in the 1990s than in the 1980s. In fact, the crisis created only an "inflection point" in the growth curve in 1998, leading to an unexpectedly strong recovery in 1999.[1] The average rate of annual growth of gross domestic product (GDP) for the developing countries as a whole reached 4.4 per cent in the 1990s, compared with 2.3 per cent in the 1980s. At the same time, the variability of economic growth, measured by the standard deviation of the annual growth rate, during the 1990s was less than that during the 1980s for the developing countries as a whole (figure I (b)). This improvement resulted mainly from revitalized and more stable growth in Latin America and Western Asia. The latter region recovered from a negative growth rate in the 1980s to achieve a positive one in the last decade. Economies of Eastern and Southern Asia experienced yet another decade of the strongest growth among the developing regions, despite the fact that the financial crisis in 1997 lowered their average growth rate slightly for the nine-year period 1991-1999, compared with their average for 1981-1990, and increased the variability of growth performance.

7. There remain, however, three major concerns. First, no region has achieved the goal of a 7 per cent rate of growth of GDP — the goal stated in paragraph 17 of the Strategy — and the average rates of growth of all regions have been well below the target, except those of Eastern and Southern Asia. The unsatisfactory growth performance is more readily apparent when considered from a per capita perspective (table 1). Two of the four developing regions — Africa and Western Asia — did not escape from their trend of falling per capita GDP, although their overall picture is better in the fourth decade than it was in the third decade. Second, while the least developed countries improved their economic performance marginally, they experienced much higher economic variability. Higher economic growth and greater volatility are associated with higher but more volatile levels of agricultural production, a major economic sector of many least developed countries and other African countries. Overall, the sector enjoyed good weather conditions in the 1990s, which facilitates faster growth in agricultural and food production (table 2), but was subjected to larger year-to-year natural fluctuations. Third, while the least developed countries' economic performance as a group improved in the 1990s, more than 40 per cent of the countries in that group failed to accelerate their economic growth. While globalization has great potential to propel the economic growth of the poorest countries in the world, countries with political instability or weak institutions, including weak legal systems and fragile market-oriented economic structure, cannot fully realize their potential.

Figure 1. Growth and variability of growth rate, 1981-1999



Source: UN/DESA

Table 1
Developing countries' growth of per capita GDP, 1981-2000
(Annual percentage change)

	1981-1990	1991-1998	1999	2000[a]	Share of population, 1999	
					Number of countries	Percentage
All developing countries	0.2	2.7	1.8	3.5	95	100.0
Africa	-0.8	-0.7	0.2	1.6	38	16.3
Latin America and the Caribbean	-0.9	1.6	-1.2	2.3	24	10.8
Western Asia	-6.2	-0.1	-1.8	1.5	15	5.1
Eastern and Southern Asia	5.1	5.0	4.8	5.1	18	67.8
Memo items:						
Least developed countries	-0.5	0.2	0.8	2.1	40	13.2
Sub-Saharan Africa[b]	-1.1	-0.6	0.6	1.4	31	9.6

Source: Development Policy Analysis Division of the Department of Economic and Social Affairs of the United Nations Secretariat.
[a] Projection.
[b] Excluding Nigeria and South Africa.

Table 2
Growth of population, and agricultural and food production, 1981-1990 and 1991-1999
(Average annual rate)

	Population		Agricultural production		Food production	
	1981-1990	1991-1999	1981-1990	1991-1999	1981-1990	1991-1999
World	1.7	1.4	2.3	2.2	2.3	2.4
Developed countries[a]	0.7	0.4	1.0	0.1	1.0	0.2
Developing countries[b]	2.0	1.7	3.6	3.7	3.6	4.0
Africa developing[c]	2.8	2.5	3.2	3.0	3.3	3.0
Africa, south of Sahara[d]	2.9	2.6	2.8	2.8	2.8	2.8
Asia developing[e]	1.9	1.5	4.0	4.0	4.1	4.3
Latin America and the Caribbean	2.0	1.6	2.3	3.1	2.4	3.4
Memo item:						
Least developed countries	2.4	2.4	1.6	2.5	1.6	2.5

Sources: *World Population Prospects, The 1998 Revision*, vol. I, *Comprehensive Tables* (United Nations publication, Sales No. E.99.XIII.9); and Food and Agriculture Organization of the United Nations (FAO) Corporate Database for Substantive Reference Data (FAOSTAT) and FAO web site.
[a] Comprising the United States of America, Canada, Europe, Australia, New Zealand, Japan, Israel, South Africa and the former Union of Soviet Socialist Republics or its successor States.
[b] Comprising the rest of the world.
[c] Excluding South Africa.
[d] Excluding South Africa.
[e] Excluding Japan, Israel and the former Union of Soviet Socialist Republics or its successor States, in Asia.

8. The Strategy notes that "an acceleration in the process of industrialization must be a central element in the economic transformation of most developing countries and in the reactivation of development in the 1990s" (para. 62) and recognizes that increasing public and private investment is necessary to expand manufacturing capacity and to improve managerial and technical skills (para. 64). For the period 1990-1998, manufacturing value added (MVA) in the developing countries as a whole grew at the average annual rate of 6.3 per cent.[2] Growth of manufacturing production outpaced that of GDP and, consequently, the industrialization of the developing countries deepened.

9. This industrial advance, however, was uneven among developing regions and individual countries. While East Asia and the Pacific, the region industrializing most rapidly, recorded a 10 per cent annual growth rate for the period 1990-1998, the MVA of sub-Saharan Africa grew at only 0.8 per cent a year. In fact, in the latter region, the level of industrialization, as measured by the share of MVA in GDP, declined and has remained below 8 per cent, the target in the Strategy (para. 63), in some countries. Of particular concern for industrial development in Africa is the declining share of public investment in GDP in the 1990s; it decreased from 8.2 per cent in the 1980s to 6.7 per cent in 1990-1996.[3] While this decline reflects, to some extent, the shift of policy focus towards providing an economic environment conducive to private production rather than direct control of industrial production, the fiscal conditions of many countries prevented their Governments from expanding or improving the existing infrastructure. As adequate public infrastructure is one of the factors that encourage private investment, the poor status of infrastructure in many African countries has deterred the expansion of their manufacturing capacity.

B. Social development: poverty reduction and development of human resources

10. The Strategy also singles out the importance of "a development process that is responsible to social needs". Better material well-being of people, which can be provided by high economic growth, must be reflected in progress in the pursuit of social goals, including a significant reduction in extreme poverty and hunger and the development of human resources. During the 1990s, policy makers all over the world increasingly focused their attention on social issues and problems in the development process. Both the World Summit for Social Development, held in 1995, and the twenty-fourth special session of the General Assembly entitled "World Summit for Social Development and beyond: achieving social development for all in a globalizing world", held in April 2000, signified recognition by Governments and by people at large of "the importance of making social improvement an integral part of development strategy at the national and international levels".[4] Reflecting the increasing recognition of social needs beyond economic well-being, some social indicators, particularly in the area of education, made encouraging progress during the course of the 1990s, with the help of the improved economic environment in the 1990s. Other indicators, however, have not improved as much as economic ones, and some have been stagnant.

1. Poverty and malnutrition, and food production as a means of alleviation

11. The reduction of poverty has been one of the important and urgent goals identified by every major United Nations-sponsored conference in the 1990s. Between 1987 and 1998, the number of people living on less than $1 a day (a standard poverty line measured by 1985 international prices) changed little in the developing and transitional economies, remaining about 1.2 billion; the proportion of population below the poverty line declined, from 28.3 per cent in 1987 to 24.0 per cent in 1998.[5] East Asia and the Pacific and the Middle East and North Africa succeeded in reducing poverty, but the rest of the developing regions experienced an increase in the number of people living below the poverty line. Although Latin America and the Caribbean achieved a better economic growth record in the 1990s, the region had about 15 million more people below the poverty line in 1998 than it had had in 1987. The number of people below the poverty line in sub-Saharan Africa also increased, from 217 million in 1987 to 291 million in 1998, reflecting its sub-par economic growth. South Asia, a region with revitalized economic growth in the 1990s, was successful in reducing poverty in terms of population share, but the absolute number of people below the poverty line increased from 474 million to 522 million.

12. The number of undernourished people in the developing regions is another social indicator that did not keep up with the improvement in macroeconomic performance (table 3). The number of undernourished persons in the developing countries decreased slightly to 791 million (18 per cent of these countries' total population) in 1995-1997, from 831 million (20 per cent of those countries' total population) in 1990-1992. In 86 out of 119 developing countries for which data are available, people have access to food supplies above the minimum requirements identified by the Food and Agriculture Organization of the United Nations (FAO). However, the total number of undernourished people increased in sub-Saharan Africa and the Near East and North Africa. Despite marginal success on this front,

about one third of the total population in sub-Saharan Africa and more than one fifth in South Asia still face shortages of food.

Table 3
Number and proportion of undernourished persons in developing countries, by region, 1990-1992 and 1995-1997

Region or country group	*Number of undernourished (millions)*		*Percentage of population*	
	1990-1992	*1995-1997*	*1990-1992*	*1995-1997*
Sub-Saharan Africa	164	180	35	33
Near East and North Africa	26	33	8	9
East and South-East Asia	283	240	17	13
South Asia	299	284	26	23
Latin America and the Caribbean	59	53	13	11
All developing countries[a]	831	791	20	18

Source: Food and Agriculture Organization of the United Nations (FAO), *The State of Food Insecurity in the World, 1999* (Rome, FAO), table 1.

[a] Including developing Oceania.

13. The Strategy also set the reduction of malnutrition among children under age 5 by one half as a target for the decade. Despite some reduction of child malnutrition at the global level, the rate of improvement in this regard has been slow. While the proportion of malnourished children fell from 32 per cent in 1990 to 29 per cent in 1995,[6] an implied goal for the year 2000 of about 16 per cent (one half of the 1990 figure) will be difficult to attain, based on the rate of reduction in child malnutrition over five years. It is estimated that the proportion of malnourished children will be 24 per cent in 2005.[7]

14. One of the major means of reducing malnutrition among children, and among adults, is agricultural, or more generally rural, development. The record of agricultural production in the 1990s, however, is not particularly encouraging (table 2). From 1991 through 1999, world agricultural production and world food production are estimated to have grown at an annual average rate of 2.2 and 2.4 per cent, respectively, both of which are well below the 4 per cent target rate set in the Strategy (para. 72). Both agricultural production and food production in sub-Saharan Africa are estimated to have grown at 2.8 per cent in the 1990s. Its population, however, was growing at almost the same pace of 2.4 per cent, so that agricultural and food production on a per capita basis grew very little during the period. Unless the poorest countries have sufficient financial resources and institutional arrangements to import food from the rest of the world, the nutritional situation of millions of people in the developing countries, particularly in sub-Saharan Africa, will not improve dramatically any time soon.

15. Diffusion of technology is of particular importance for the agricultural sector in the developing countries (para. 73 of the Strategy), particularly in sub-Saharan Africa, a region characterized by low agricultural productivity, which has yet to experience a "green revolution". It is now widely recognized that agricultural technologies developed in other climatic and ecological zones have not been applied

well in this region, whose natural conditions are often associated with variable rainfall, severely weathered soils, and many destructive agricultural diseases and pests.[8]

2. Human resources development: education, literacy and health

16. The Strategy calls for special attention to education and health, as they are essential aspects of human resource development (para. 87), and incorporates a number of targets for education (para. 88) and for primary health care (para. 90). During the 1990s, there was some progress in increasing primary school enrolment and in narrowing the gender gap in education, but according to the World Education Forum held in Dakar, Senegal, in April 2000, progress has been slow and adult literacy has remained largely neglected.[9] Improvement in primary health care has been only moderate, as reviewed in the 1999 report (A/54/389). While there has been little fundamental change in the trends in primary health care variables from the numbers reported last year, it is now feared that the rapidly spreading epidemic of human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) may halt, or even reverse, improvements in health and other living conditions in a growing number of developing countries.

17. A goal set forth in the Strategy is to provide universal access to basic education, and for at least 80 per cent of the school-age group to complete primary education (para. 88). Total primary school enrolment has increased by some 82 million since 1990, with 44 million more female students enrolled in 1998.[10] This overall increase is reflected in the across-the-board improvement in primary school gross enrolment ratios from 1990 to 1997 (table 4), with many developing countries now exceeding a 100 per cent gross enrolment rate. During the same period, the gender gap in enrolment between boys and girls in the developing countries as a whole narrowed from 13.9 to 12.1 per cent. However, out of 112 developing countries for which data are available, there are still 62 that have not reached a 100 per cent primary school enrolment ratio, including 34 African countries out of the total of 47 for which data are available. Worldwide there are some 113 million children, 60 per cent of whom are girls, who have no access to primary schools.[11] After the decline in primary school enrolment ratios in sub-Saharan Africa in "the 1980s against the background of a worsening economic situation",[12] the ratios recovered somewhat during the 1990s, but remain below the ratio that was reached in 1980. There also remains a large gender gap in education in some countries in sub-Saharan Africa, the region of Arab States and South Asia.[13]

18. The goal of completion of primary school by 80 per cent of all children will not be reached any time soon in many countries, judging by the low secondary school enrolment ratios (table 4) and the percentage of children who drop out before they reach grade 5. In only 53 out of 101 developing countries for which educational surveys were conducted in various years is the proportion of children reaching grade 5 above 80 per cent.[14] In Africa, 29 out of the sample 41 countries (71 per cent) have not reached the 80 per cent mark. The low rates of completion of primary education in Africa have been accompanied by low secondary school enrolment ratios compared with those of other regions, where ratios have steadily increased over the past two decades.

Table 4
Primary and secondary school gross enrolment ratio,[a] 1980, 1990 and 1997
(Percentage)

Region or country group	1980		1990		1997	
	Male	Female	Male	Female	Male	Female
World						
Primary	103.3	88.1	105.0	93.0	106.9	96.4
Secondary	51.6	41.1	56.5	46.9	64.0	56.0
Developed countries						
Primary	101.1	100.6	101.2	100.7	102.9	102.4
Secondary	89.1	89.7	92.9	94.8	98.9	101.4
Developing countries						
Primary	103.7	85.7	105.6	91.7	107.5	95.4
Secondary	41.9	28.3	48.2	36.0	56.6	46.4
Sub-Saharan Africa						
Primary	88.7	70.2	81.9	67.6	84.1	69.4
Secondary	22.2	12.8	25.5	19.2	29.1	23.3
Arab States						
Primary	90.1	67.5	90.0	72.4	92.1	76.9
Secondary	47.1	29.6	59.1	44.9	61.2	52.3
Latin America and the Caribbean						
Primary	105.6	102.7	106.2	103.7	116.9	110.2
Secondary	44.1	44.7	49.0	52.8	59.2	65.3
Eastern Asia and Oceania						
Primary	117.4	103.0	122.0	114.8	118.3	117.6
Secondary	50.3	37.0	52.3	42.3	69.3	63.1
Southern Asia						
Primary	90.5	60.1	102.6	77.1	106.8	83.3
Secondary	36.3	18.2	49.2	29.7	54.1	35.8
Memo item:						
Least developed countries						
Primary	77.1	54.7	73.4	58.0	80.6	62.3
Secondary	20.5	8.9	21.8	12.6	23.5	15.0

Source: Department of Economic and Social Affairs of the United Nations Secretariat, based on UNESCO, *1999 Statistical Yearbook* (Paris, 1999), table II.S.5.

[a] Total enrolment as percentage of either primary school age or secondary school age population, including students who are older or younger than the country's official age range for primary school and secondary school, respectively.

19. The United Nations Educational, Scientific and Cultural Organization (UNESCO) estimates that there are between 875 million and 1 billion illiterate adults in the world, of whom the majority are women.[15] Based on the latest statistics which extend up to 1998, the goal set by the Strategy to reduce adult illiteracy by 50 per cent during the 1990s will not be met (table 5). To reach the goal over 10 years, the adult illiteracy rate would have had to decline annually by about 7 per cent, but the actual rates of decline between 1990 and 1998 (the latest year for which numbers are available) ranged only between 1.4 per cent (the rate for females in South Asia) and 3.4 per cent (the rate for females in East Asia and the Pacific). Overall, the average annual rate of decline in the low- and middle-income countries was a little more than 2 per cent during the 1990s, remaining virtually unchanged from the rate recorded during the 1980s. At this rate, it will take about 32 years, instead of 10, to reduce the illiteracy rate by one half, and in the case of female illiteracy in South Asia, it might take as long as a half-century.

Table 5
Adult illiteracy rate, 1980, 1990, 1995 and 1998
(Illiterate adults as percentage of the total population, aged 15 years or over)

Region or country group	*1980*	*1990*	*1995*	*1998*	*Target*[a]
Low- and middle-income					
Total	38.2	30.6	27.4	25.6	15.3
Female	47.8	38.8	35.0	32.8	19.4
Latin America and the Caribbean					
Total	20.1	15.2	13.3	12.2	7.6
Female	22.5	16.7	14.4	13.2	8.4
East Asia and the Pacific					
Total	31.2	20.9	17.4	15.5	10.5
Female	42.5	29.5	24.9	22.4	14.8
Middle East and North Africa					
Total	57.9	45.9	40.2	36.9	23.0
Female	72.2	59.2	52.2	48.0	29.6
South Asia					
Total	61.0	53.1	49.1	46.8	26.6
Female	75.1	66.4	61.9	59.2	33.2
Sub-Saharan Africa					
Total	61.7	50.1	44.1	40.5	25.1
Female	72.2	59.8	52.9	48.7	29.9
Memo item:					
Least developed, United Nations classification					
Total	66.0	57.2	52.5	49.7	28.6
Female	77.7	68.5	63.5	60.3	34.3

Source: Department of Economic and Social Affairs of the United Nations Secretariat, based on World Bank, *World Development Indicators 2000* (Washington, D.C., World Bank, 2000).
[a] One half of the 1990 rate.

20. One of the main reasons for the continuing high rates is that low primary school enrolment ratios and high drop-out rates constantly "feed" the existing population of illiterate adults. Another reason, increasingly recognized among education experts, is the lack of focus on quality of education for both children and adults. Focusing too much on achieving quantity goals (in other words, enrolment and completion ratios) has resulted in less emphasis on the quality of education. Adult literacy programmes face a similar problem: while many programmes have been set up, very little is known about what people are actually learning and what types of programmes are actually more effective than others. The experience of the 1990s shows that formal education should be supplemented and strengthened by alternative, tailor-made, non-formal learning methods.[16]

21. To the limited extent that more recent data are available, there have been few fundamental changes in the trends in health-related variables, such as under-five mortality rates (U5MRs), maternal mortality rates and the reduction of malnutrition among children under age 5, that were noted in 1999.[17] This is not surprising, because social variables shift only slowly. While improvements in child survival over the last two decades have been impressive, the reduction of U5MRs, whose target rates are one third below the level in 1990 or 70 per 1,000 live births, whichever is less, will not be achieved by 2000, based on the levels reached in 1998 (table 6).

22. Life expectancy at birth has also improved in the 1990s, except in sub-Saharan Africa, where the HIV/AIDS epidemic is rampant and life expectancy has remained at only 50 years (table 6). HIV/AIDS is now the leading cause of death in sub-Saharan Africa, surpassing the traditional diseases of malaria, tuberculosis, pneumonia and diarrhoeal disease. It killed 2.2 million people in 1999, compared with 300,000 AIDS deaths in 1989.[18] Consequently, life expectancy declined in 18 out of 48 countries in sub-Saharan Africa between 1990 and 1998: in Botswana, the average life expectancy has been shortened by 11 years.[19] It is estimated that the epidemics of HIV/AIDS have reduced life expectancy by 15 to 20 years in southern African countries and by 5 to 10 years in other African countries.[20] Furthermore, for babies born in 1999 in 32 countries, many of them experiencing HIV/AIDS epidemics, there exists a disability-adjusted life expectancy (DALE) estimated as less than 40 years.[21] This marks a stark contrast to the average of 72.9 years of healthy life expectancy in the top 10 nations. While 1999 data on child and maternal mortality rates are not available, it is expected that, unless major domestic and international efforts are made, the HIV/AIDS epidemic will affect mortality rates significantly for years to come.

Table 6
Mortality of children under age 5 and life expectancy at birth, 1980-1998

Region	*Mortality rate (per 1,000 live births)*				*Life expectancy (years)*		
	1980	*1990*	*1998*	*"Target" for 2000*[a]	*1980*	*1990*	*1998*
World	123	87	75	58	61	65	67
East Asia and the Pacific	82	55	43	37	[b]	67	69
Europe and Central Asia	[b]	34	26	23	68	69	69
Latin America and the Caribbean	78	49	38	33	65	68	70
Middle East and North Africa	136	71	55	47	59	65	68
South Asia	180	121	89	70	54	59	62
Sub-Saharan Africa	188	155	151	70	48	50	50
Memo item:							
Least developed countries	208	171	151	70	47	50	51

Source: Department of Economic and Social Affairs of the United Nations Secretariat, based on World Bank, *World Development Indicators 2000* (Washington, D.C., World Bank, 2000).

[a] The lesser of two thirds of the 1990 regional figure and 70.

[b] Not available.

C. Developments in the international environment

23. The Strategy notes that a "supportive external economic environment is crucial. The development process will not gather momentum if the global economy lacks dynamism and stability and is beset with uncertainties" (para. 21), and the "sound macroeconomic management of the world economy is of paramount importance" (para. 22) for a surge in development during the decade of the 1990s. The strategy also states that an open and fair international trading system is "the pillar of an interdependent world economy" (para. 46), and adequate financial resources, both domestic and external, are a precondition of the revitalization of economic growth. To these ends, the Strategy identifies the better functioning of commodity markets and earnings of developing countries from commodity exports as an important element in accelerating the development process of many developing countries (para. 51). Furthermore, it calls for a successful and balanced conclusion of the Uruguay Round of multilateral trade negotiations (para. 50), a reduction in the burden of debt-service payments, and significant improvements in the flow of finance for development (para. 38), including official development assistance (ODA).

1. Trade

24. As reported in the 1999 report (A/54/389), the Uruguay Round of multilateral trade negotiations resulted in improvements in market access for both goods and services.[22] The dispute settlement mechanism of the World Trade Organization has become in principle a venue that provides World Trade Organization members with effective recourse for defending their market access rights. Furthermore, many developing countries have taken unilateral trade measures, which have made a positive contribution to the liberalization process at the global level. In part owing to such liberalization measures, the growth in the volume of world trade has consistently outpaced the growth of world output in the 1990s. At the same time, the share of developing countries in world trade has been increasing in the 1990s, having climbed to almost 26 per cent in 1999 from 24 per cent at the beginning of the decade.[23]

25. The international trading environment, however, has not always been conducive to the development efforts of developing countries in the 1990s. While world exports and exports by developing countries grew strongly in the first half of the 1990s, the Asian financial crisis in 1997 and, to a lesser extent, economic turmoil in Brazil and the Russian Federation in 1998, slowed their growth considerably in the second half of the 1990s. The dollar value of world exports grew at the average annual rate of 5.8 per cent in the 1990s as a whole, but the rate of its growth slowed in the second half of the decade, reaching only 2.4 per cent.[24] Exports from developing countries fared better, showing an 8.1 per cent average annual growth rate. Growth of export value, however, dropped from 11.5 per cent in the first half of the decade to 4.0 per cent in the second half. The Asian financial crisis in 1997 affected Eastern and Southern Asian countries most severely, resulting in a precipitous decline in the growth rate from 15.1 per cent in the first half to 2.3 per cent in the second half. Exports from African countries, unlike other developing regions, showed a higher growth rate in the second half of the 1990s than in the first half, but with considerable year-to-year fluctuations.

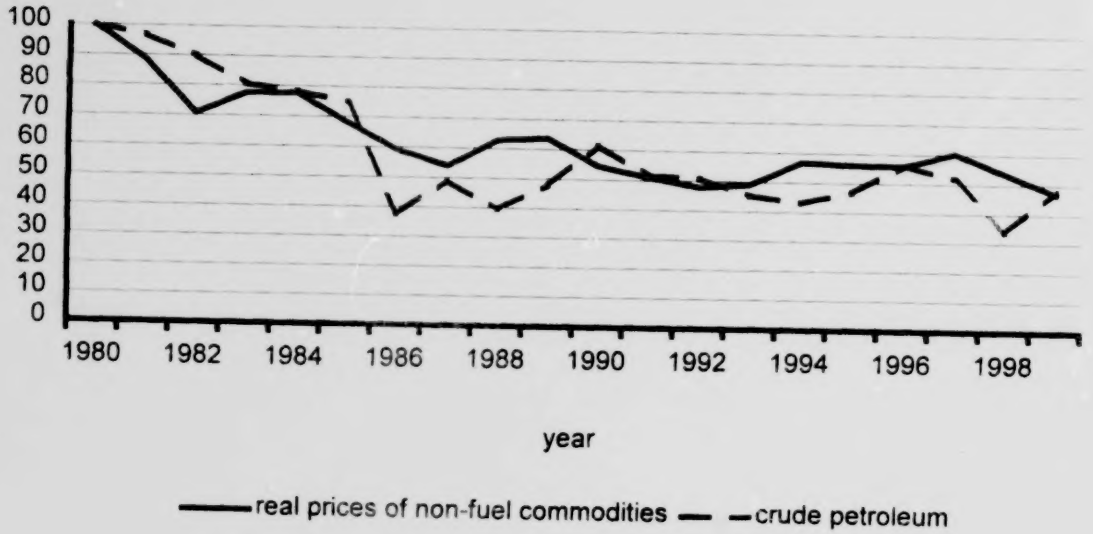
26. While the Uruguay Round improved market access and increased market penetration, there remain several trade-related issues, many of which are of vital interest to developing countries. They include tariff peaks and escalation in some products, the tariffication of quotas, non-tariff measures, particularly in the agricultural sector, and remaining quantitative restrictions on the textile and clothing industries, probably the most important industrial sectors for many developing countries. In addition, new forms of non-trade measures that are often labelled as "trade remedies" in the form of safeguards, anti-dumping duties and countervailing duties have been actively used in many countries. Overall, despite the call for full and effective implementation of the commitment to halt and reverse protectionism (para. 48), "there is still scope for further opening in many areas of export interest to developing countries".[25]

27. The Strategy (para. 49) suggests that developing countries should create trade opportunities among themselves. While developed countries are still the principal trading partners with developing countries, trade among developing countries has been growing. Merchandise trade among low- and middle-income countries grew at the average annual rate of 9.7 per cent between 1988 and 1998.[26] East Asian and Pacific countries experienced the highest growth rate of intraregional trade of 19 per cent a year, while that among the countries of the Middle East and North Africa

showed only 0.5 per cent growth. Countries of sub-Saharan Africa, whose trade linkages are not yet as strong as those of the other developing regions, registered 11.6 per cent growth of intraregional trade for the period 1988-1998.

28. While the Strategy calls for more stable and predictable conditions for commodity markets, levels of commodity (non-fuel and oil) prices have been depressed in the 1990s (figure II). This remained the case despite some sharp increases in oil prices in 1999. The composite price of the Organization of Petroleum Exporting Countries (OPEC) basket of seven crudes, measured in nominal terms, had increased by 42.3 per cent in 1999 from its 1998 level, but it nonetheless stood below one half of the 1980 level. The non-fuel primary commodity price index, measured in dollars deflated by the manufactured export price index, did not fare better, having fallen to 47 per cent of what it had been in 1980, although the price movements during the 1990s were less volatile than in the 1980s. Some developing countries that heavily depend on commodity exports to provide an important source for foreign exchange earnings were hit hard by unstable and depressed commodity prices. The unfavourable development of commodity prices further delayed diversification of economic activities, in line with existing comparative advantage, which it is hoped might offer a source of rural employment and scope for anti-poverty campaigns. It should be added that the commodity stabilization facility of the International Monetary Fund (IMF) remained unused during the 1990s.

Figure 2. Indices of prices of primary commodities, 1980 - 1999



Source: UN/DESA.

2. Debt and international financial flows

29. The Strategy called for an early and durable solution to the problems of external indebtedness, as a condition for the reactivation of development in many developing countries (para. 26). The external debt situation improved in the 1990s for some, mostly large middle-income, developing countries.[27] During the decade, developing countries, in particular some middle-income countries, were increasingly attracting private financial flows, with foreign direct investment (FDI) now being the largest source for long-term resource flows (table 7). The steadily increasing inflow of FDI in the 1990s has been a welcome sign, as the Strategy recognizes that FDI is not generally debt-creating and could play an important role as a source of development finance (para. 43). The decade witnessed, however, periodic crises of private financial flows (except FDI flows) that required multilateral intervention, first in Mexico in 1995 and then in a number of East Asian and other countries from 1997 to 1999, all of which greatly disturbed the international flow of financial resources.

Table 7
Net long-term resource flows to developing countries, 1980, 1990 and 1995-1999
(Billions of United States dollars)

	1980	*1990*	*1995*	*1997*	*1998*	*1999[a]*
Total	**82.8**	**98.5**	**257.2**	**343.7**	**318.3**	**290.7**
Official flows	32.6	55.9	53.9	36.9	50.6	52.0
Private flows	50.2	42.6	203.3	303.9	267.7	238.7
Debt flows	41.1	15.7	62.2	103.5	81.2	19.1
Bank lending	30.8	3.2	30.4	51.6	44.6	-11.4
Bond financing	1.1	1.2	30.8	48.9	39.7	25.0
Other	9.2	11.3	1.0	3.0	-3.1	5.5
Equity flows	[b]	2.8	36.1	30.2	15.6	27.6
Foreign direct investment	9.1	24.1	105.0	170.3	170.9	192.0

Sources: World Bank, *Global Development Finance 2000* (Washington, D.C., World Bank, 2000), table 2.1; and *World Debt Tables 1990-91: External Debt of Developing Countries* (Washington, D.C., World Bank, 1990), table 3.

[a] Preliminary estimates.

[b] Data not available.

30. Overall, the external indebtedness of developing countries grew in the 1990s from $1.4 trillion in 1990 to $2.5 trillion in 1999.[28] However, this level of debt would seem to be less of a burden than the debt carried in 1990, in the sense that the ratio of debt to exports showed a decline from 184.4 in 1990 to 136.5 per cent in 1999. The other two standard indicators, the ratio of debt to gross national product (GNP) and the ratio of debt service to exports, were virtually the same in 1999 as in 1990. In particular, the external debt situation improved in the 1990s for some, mostly large middle-income countries. When the crises erupted, the crisis countries temporarily lost access to external private finance, but then quickly reacquired it thanks to financial aid packages of IMF and the World Bank, although they did pay very high premiums for such credit.

31. In marked contrast to the handling of the debt of mainly middle-income countries, the resolution of the debt crisis of low-income countries has been a drawn-out process. The essential distinction is that the middle-income countries were primarily indebted to private creditors, while the low-income countries are mainly indebted to official creditors. While financial supervisors in creditor countries, financial market pressures, and the international community had all pushed for more effective procedures to resolve private debt crises after a decade of disappointment in the 1980s, government and multilateral creditors were slower to recognize the depth of the debt difficulties of their borrowers. In 1996, however, the World Bank and IMF established the Heavily Indebted Poor Countries (HIPC) initiative to resolve the debt problems of the poorest developing countries. So far, the initiative has delivered relief to fewer countries than internationally targeted. This is owing in part to the conditions under which relief was to have been accorded, for which reason the terms were revised in 1999. Another aspect of the problem is that it has been difficult to mobilize all the donor funds required to "pay" the debt.[29]

32. The Strategy notes that "economic reforms and the integration of Eastern Europe into the world economy will generate substantial new demand for (financial) resources" and that "such needs should be met without diversion of the flows needed by developing countries" (para. 39). While there is no consensus on the methodology to be used to assess whether there has been diversion of financial flows, diversion may well turn out to be the case if changes in the inflows to two different groups of countries consistently move in opposite directions. Net private financial flows to developing countries increased steadily from $42 billion in 1990 to $200 billion in 1996, the peak year, while the same flows to transition economies displayed large fluctuations with very weak positive trends during the same period.[10] The financial crises towards the end of the 1990s affected adversely the flows to both groups of countries, showing that the two regions are equally vulnerable to such financial shocks. Consequently, there has not been "direct" evidence on the diversion of the flows between the two groups in the 1990s.

3. Official development assistance

33. The Strategy notes that official development assistance (ODA) is an essential source of concessional aid to the developing countries, and aid programmes of donor countries need to be substantially improved in the 1990s (para. 40). In this light, the significant decline in ODA as a percentage of GNP since the early 1990s is a major disappointment (table 8). As measured by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), ODA as a percentage of GNP, the main indicator of ODA, had temporarily increased to 0.34 per cent in 1992, the peak year, from 0.33 per cent in 1990, but it fell to 0.24 per cent in 1999. While there are countries that have been consistently above the internationally agreed target for ODA of 0.7 per cent of country GNP (Denmark, the Netherlands, Norway and Sweden), the average ratio remains far short of the target.

Table 8
Official development assistance (ODA): selected indicators

	1990[a]		1999[a]		Tying status of bilateral ODA[b] 1998 (Percentage of total)		Contributions/ pledges to HIPC Trust Fund (millions of dollars) (as at 9 June 2000)[c]
	Millions of dollars	Percentage of GNP	Millions of dollars	Percentage of GNP	Partially untied	Tied	
Australia	955	0.34	981	0.26	..	7.2	12
Austria	394	0.25	482	0.24	..	31.4	19
Belgium	889	0.46	753	0.30	20.0[d]	30.0[d]	40
Canada	2 470	0.44	1 721	0.28	..	65.5	102
Denmark	1 171	0.94	1 724	1.00	..	18.6	61
Finland	846	0.63	402	0.32	..	21.4	35
France	7 194	0.60	5 494	0.38	13.5[e]	21.4[e]	199
Germany	6 320	0.42	5 478	0.26	..	13.5	243
Ireland	57	0.16	241	0.31	..	..	19
Italy	3 395	0.31	1 750	0.15	..	36.1	162
Japan	9 069	0.31	15 302	0.35	6.4	..	200
Luxembourg	n.a.	n.a.	115	0.64	..	6.0	3
Netherlands	2 538	0.92	3 134	0.79	2.0	12.1	169
New Zealand	95	0.23	134	0.27	..	..	2
Norway	1 205	1.17	1 370	0.91	..	10.2	79
Portugal	148	0.25	274	0.25	..	17.4	22
Spain	959	0.20	1 347	0.23	..	73.9	128
Sweden	2 007	0.91	1 643	0.70	9.1	11.6	83
Switzerland	750	0.32	976	0.35	..	28.3	60
United Kingdom	2 638	0.27	3 279	0.23	..	20.4	316
United States	11 394	0.21	9 135	0.10	..	71.6[f]	600
Total DAC	**52 960**	**0.33**	**55 733**	**0.24**	**(4.6)**	**(23.2)**	**2 554**

Sources: Data of Organisation for Economic Cooperation and Development (OECD)/Development Assistance Committee (DAC) and World Bank.

Note: Two dots (..) mean data are not available; "n.a." means "not applicable"; and a figure in parenthesis means Organisation for Economic Cooperation and Development (OECD) estimate.

[a] Net disbursements by donors to developing countries and multilateral organizations. Forgiveness of debt for military purposes was reported as ODA up to 1992.

[b] Commitments, excluding technical cooperation and administrative costs.

[c] Amounts are approximate. Some contributions are in the donors' national currency and in the form of a promissory note.

[d] Gross disbursements including technical cooperation and administrative costs.

[e] 1997.

[f] 1996.

34. The decrease in ODA in recent years has affected many developing countries, particularly the least developed countries; between 1992 and 1998, for instance, more than half of the least developed countries recorded a fall of at least 25 per cent in ODA received per capita. The decline in ODA flows is commonly attributed to donor "aid fatigue", but closer examination seems to indicate that the decline is due more to a "crisis of confidence" regarding whether aid can achieve its intended purpose.

35. While in the 1990s donors increasingly focused on the social aspects of development of the developing countries, and in particular on assisting in the eradication of poverty, ODA for basic social services accounts for only 10 per cent of total ODA. Moreover, following a peak in 1995, the level of commitments of ODA to the social sector declined in the second half of the 1990s, despite the fact that the Copenhagen World Summit for Social Development in 1995 had put poverty and social development at the centre of the policy agenda.

36. Donors have responded to concerns about the ineffectiveness of aid programmes, with administrative reforms of donor agencies aimed at improving the quality and management of aid. They have also recognized that the ultimate guarantee of more effective aid is to develop more effective partnerships between donors and beneficiaries. The donor community is thus pursuing a reform strategy that seeks to focus donor efforts more effectively, while building capacity for a beneficiary-led design of development policies through, for example, active participation of civil society and the business sector in discussions of national development strategies and aid programmes.

D. Situation of the least developed countries

37. The Strategy recognizes that there is a risk that the least developed countries will become increasingly marginalized in the world economy, and thus urges the international community to avoid this risk (para. 99). The Strategy further notes that the Second United Nations Conference on the Least Developed Countries held in Paris in 1990 underscored the principle of shared responsibility and strengthened partnership for the growth and development of the least developed countries, and called for mutual commitments and strengthened joint efforts on the part of both the least developed countries and their development partners (para. 100). The Programme of Action[31] adopted by the Conference encompasses, among other things, development assistance targets, improved access for the exports of the least developed countries and the provision of bilateral concessional debt forgiveness and debt relief.

38. Despite this urgent call, the 1995 High-Level Intergovernmental Meeting on the Mid-term Global Review of the Implementation of the Programme of Action and, subsequently, reviews by the Trade and Development Board of UNCTAD showed that the commitments contained in the Programme of Action had not been fully implemented.[32] Domestic and regional factors in some least developed countries have not been conducive to development, either. The development of least developed countries has been constrained by several economic, social, political and sometimes natural factors, which include, among other things, infrastructural and human resources shortcomings, low levels of resource mobilization, ineffective macroeconomic policy design and management and natural and man-made disasters,

including civil unrest and conflict. Consequently, despite the relatively buoyant world economy, some least developed countries experienced declining per capita GDP in the 1990s (see para. 7).

39. The annual average rate of growth of least developed countries in the 1990s was 2.8 per cent, compared with 2.2 per cent in the 1980s (figure I.a). This growth outcome, however, was accompanied by a higher variability in the level of economic activities (figure I.b). The combination of a higher growth rate with the high variability that has been observed in least developed countries presents a contrast to the growth performance of some other developing regions (Latin America and the Caribbean and Western Asia), where higher growth has been accompanied by lower variability. As mentioned previously, the improved growth performance resulted from increased agricultural and food production, which, at the same time, has been subject to wider year-to-year fluctuations (table 2). Per capita GDP of least developed countries grew at the average annual rate of only 0.3 per cent during the 1990s (table 1), an improvement over the negative rate in the 1980s but one insufficient to constitute meaningful progress. At that rate, it would take more than 200 years to double the current average per capita GDP of about $450 a year.[33] Only 5 countries in the total of 40 least developed countries for which data are available, grew faster than 3 per cent per year in the 1990s, a minimum acceptable growth rate of GDP per capita through which to narrow the gap between them and the rest of the world.

40. In part, as a result of poor economic performance, least developed countries have made only marginal progress in social development as well. In education, both primary school enrolment and adult literacy ratios increased somewhat, but the improvement was not fast enough to reach the targets — a 100 per cent enrolment ratio and one half of the 1990 illiteracy rate (tables 4 and 5). The mortality of children under age 5 had declined by more than 10 per cent between 1990 and 1998 but the 1998 level was still twice as high as the target rate (table 6). Life expectancy at birth improved marginally, but, as analysed previously, the rate of improvement decelerated during the 1990s, mainly owing to the HIV/AIDS epidemics.

41. In the external sector, however, there have been some encouraging signs in the development of debt indicators in the 1990s. The debt-service ratio declined from 21.4 per cent in 1990 to 14.7 per cent in 1999 and the debt-to-exports ratio from 258 to 152 per cent in the same period.[34] Despite these encouraging developments, the external environment facing least developed countries has not been favourable to them. Unstable commodity markets have continued to be a source of vulnerability; ODA flows to this group of countries have not reached the target level; and, as stated before (para. 31), while some progress has been observed since the issuance of the 1999 report, as regards the implementation of the HIPC initiative, it has not been as fast as hoped.[35]

III. Conclusions

42. In the 1990s, the developing countries as a whole succeeded in improving their rate of growth over that of the 1980s, while keeping short-term fluctuations less volatile. Many of them successfully implemented macroeconomic stabilization policies and liberalized economic activities in both domestic and external sectors. With the completion of the Uruguay Round, a more liberalized global trade regime

strengthened the linkage between the developing countries and the rest of the world, particularly developed countries. In short, the increasing globalization and liberalization of the world economy bore some fruits.

43. At the same time, however, this globalization and liberalization of economic activities revealed several economic and social problems that the international community will have to face in years to come. The weakest persons within a country, namely, those who are unskilled or inadequately educated, and some women and children, are unable to enjoy the economic improvement as much as hoped; in some instances, they are even further marginalized. The economic improvements in the 1990s were not large enough to permit many developing countries, particularly the least developed, with weak economic and institutional capacity, to make meaningful progress on the economic and social fronts. Some developing countries are still facing declining GDP per capita. In short, the improvements have been small and uneven for many people and many developing countries.

44. The same can be said about development in social areas. While many countries made improvements in the social and human conditions of their people, approximately 1.2 billion people — many of whom are illiterate and have no access to basic education — still live below the poverty line. Furthermore, it is now feared that the HIV/AIDS epidemic will reverse improvements in human conditions for many African countries.

45. Some successes in the 1990s were owed to the experience of the 1980s. Disappointing as they may have been, the 1980s provided valuable lessons for the 1990s in designing and implementing economic and social development policies. Similarly, the first decade of the new millennium should be able to build on the successes, failures and new challenges of the 1990s. In this respect, global conferences organized by the United Nations in the 1990s will be beneficial in the design of a new strategy for the new decade, and the Third United Nations Conference on the Least Developed Countries and the high-level international intergovernmental event on financing for development, both to be held in 2001, will carry this strategy to a new level.

Notes

[1] The latest analysis of the state of the world economy by the United Nations Secretariat is summarized in the document entitled "World Economic and Social Survey, 2000, chapter I: the world economy in 2000" (E/2000/50), 19 June 2000.

[2] Based on World Bank, *World Development Indicators 2000 on CD-ROM* (Washington, D.C., World Bank, 2000).

[3] Data provided by the United Nations Industrial Development Organization (UNIDO).

[4] A/AC.253/L.5/Rev.2 (Part II), para. 1.

[5] World Bank, *World Development Indicators 2000* (Washington, D.C., World Bank, 2000), table 1a. See also United Nations Development Programme (UNDP), *Overcoming Human Poverty: United Nations Development Programme Poverty Report 2000* (New York, UNDP, 2000), for a United Nations assessment of national poverty programmes.

[6] Administrative Committee on Coordination (ACC) Subcommittee on Nutrition, *Fourth Report on the World Nutrition Situation*, January 2000.

[7] Ibid.

[8] Report of the Secretary-General entitled "We the peoples: the role of the United Nations in the twenty-first century" (A/54/2000), 27 March 2000, para. 144.

[9] World Education Forum Drafting Committee, Notes on the Dakar Framework for Action, 23 May 2000. These Notes and the text of the Dakar Framework for Action adopted by the World Education Forum, Dakar, are available at http://www2.unesco.org/wef/en-conf/dakframeng.shtm.

[10] Notes on the Dakar Framework for Action ..., para. 11.

[11] Ibid., para. 5.

[12] Strategy, para. 88.

[13] See United Nations Development Fund for Women (UNIFEM), *Target and Indicators. Selections from Progress of the World's Women* (New York, UNIFEM, 2000), for a more comprehensive review on the progress of the status of women.

[14] Calculated based on United Nations Educational, Scientific and Cultural Organization (UNESCO), *Statistical Yearbook 1999* (Paris, UNESCO Publishing and Bernan Press, 1999), table II.11.

[15] UNESCO, "Adult literacy: a herculean task", *Sources*, No. 122 (April 2000), p. 13.

[16] UNESCO, "EFT: ten years after Jomtien", *Sources*, No. 122 (April 2000), p. 4.

[17] A comprehensive review of the global state of children can be found in United Nations Children's Fund (UNICEF), *The Progress of Nations 2000* (New York, UNICEF, 2000).

[18] World Health Organization (WHO), "WHO issues new healthy life expectancy rankings", press releases 2000, 4 June 2000. It is available at http://www.who.int/inf-pr-2000/en/pr2000-life.html.

[19] World Bank, *World Development Indicators CD-ROM, 2000* (Washington, D.C., World Bank, 2000).

[20] WHO, "WHO issues new healthy life expectancy rankings" ...

[21] To calculate disability-adjusted life expectancy, the number of years of ill health is estimated according to severity of illness, inter alia, through diseases, injury, blindness and paralysis, and subtracted from the expected life expectancy. The resulting number of years corresponds to the equivalent years of healthy life.

[22] For concrete assessment of major international initiatives and development, see United Nations Conference on Trade and Development, tenth session, Bangkok, 12-19 February 2000 "Plan of Action" (TD/386), 18 February 2000.

[23] United Nations, *World Economic and Social Survey 2000* (United Nations publication, Sales No. E.00.II.C.1), table A.14.

[24] *World Economic and Social Survey 2000* ., table A.13.

[25] UNCTAD, "Plan of Action" ..., para. 6.

[26] World Bank, *World Development Indicators 2000* (Washington, D.C., World Bank, 2000), table 6.2.

[27] *World Economic and Social Survey 2000* ., table A.26.

[28] See World Bank, *Global Development Finance 2000* (Washington, D.C., World Bank, 2000), p. 238.

[29] See report of the Secretary-General entitled "Enhancing international cooperation towards a durable solution to the external debt problem of developing countries" (A/55/__).

[30] See Department of Economic and Social Affairs of the United Nations Secretariat, "Financial flows to developing and transition economies and main policy developments", background information for the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development, first substantive session, 31 May-2 June 2000, table II.a.

[31] See *Report of the Second United Nations Conference on the Least Developed Countries, Paris, 3-14 September 1990* (A/CONF.147/18), part one.

[32] UNCTAD, "Plan of Action" ..., para. 23.

[33] Based on *Poverty amidst Riches: The Need for Change, Report of the Committee for Development Policy on the second session (3-7 April 2000)* (United Nations publication, Sales No. E.00.II.A.4), annex I, appendix II.

[34] World Bank, *Global Development Finance 2000* ..., summary tables.

[35] Progress reports and the latest status of country cases under the HIPC initiative can be found at www.worldbank.org/hipc. It is hoped that the Third United Nations Conference on the Least Developed Countries, to be held in 2001, will prove an important occasion for renewing the collective commitment of the international community to assisting the least developed countries.